

COMMERCE

Budget Summary						FTE Position Summary				
Fund	2010-11 Adjusted Base	Governor		2011-13 Change Over Base Year Doubled		2010-11	Governor		2012-13 Over 2010-11	
		2011-12	2012-13	Amount	%		2011-12	2012-13	Number	%
GPR	\$26,824,100	\$0	\$0	- \$53,648,200	- 100.0%	59.15	0.00	0.00	- 59.15	- 100.0%
FED	72,330,500	0	0	- 144,661,000	- 100.0	56.70	0.00	0.00	- 56.70	- 100.0
PR	44,456,800	0	0	- 88,913,600	- 100.0	206.45	0.00	0.00	- 206.45	- 100.0
SEG	39,616,800	0	0	- 79,233,600	- 100.0	70.55	0.00	0.00	- 70.55	- 100.0
TOTAL	\$183,228,200	\$0	\$0	- \$366,456,400	- 100.0%	392.85	0.00	0.00	- 392.85	- 100.0%

Budget Change Items

1. STANDARD BUDGET ADJUSTMENTS

Governor: Provide adjustments of \$453,700 GPR, \$1,140,700 FED, \$2,007,800 PR, and \$594,000 SEG annually. Adjustments are for (a) turnover reduction (-\$226,700 PR annually); (b) full funding of continuing position salaries and fringe benefits (\$453,700 GPR, \$1,093,500 FED, \$2,226,500 PR, and \$565,200 SEG annually); (c) reclassifications and semi-automatic pay progression (\$47,200 FED and \$28,800 SEG annually); and (d) overtime (\$8,000 PR annually).

GPR	\$907,400
FED	2,281,400
PR	4,015,600
SEG	<u>1,188,000</u>
Total	\$8,392,400

2. REESTIMATE WOMAN'S BUSINESS ENTERPRISE FEES

Governor: Reduce expenditure authority for women's business enterprise fees by \$256,000 annually to more closely reflect actual fee collections. Annual expenditure authority would be \$35,000. Commerce certifies women-owned businesses and charges a certification fee of \$50 to fund administrative costs.

PR	- \$512,000
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3. APPROPRIATION CHANGE FOR FEDERAL POSITIONS

Governor: Transfer \$94,400 FED and 2.0 FED positions annually from the federal aid state operations appropriation under economic and community development to the federal aid state operations appropriation under housing assistance. The positions administer the Neighborhood Stabilization Program which provides financial assistance to communities for activities related to home foreclosures. The appropriation change would fund these activities under the program that funds the Department's housing assistance programs and related activities.

4. INCREASE EMPLOYEE CONTRIBUTIONS FOR PENSIONS AND HEALTH INSURANCE

PR	- \$349,800
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Governor: Delete \$174,900 annually to reflect fringe benefit cost reductions associated with increased state employee contributions for Wisconsin Retirement System (WRS) benefits and health insurance coverage for certain program revenue staff. The calculation of retirement savings is based on employee WRS contributions equal to 5.8% of salary. Health insurance cost reductions are based on employees paying an average of approximately 12.6% of total premium costs, compared to the current average of approximately 6% of costs. No reductions are reflected for staff funded from sources other than PR.

5. ELIMINATE LONG-TERM VACANCIES

Governor: Delete \$3,368,800 (all funds) and 56.45 positions annually to reflect the elimination of long-term vacant positions under the bill. The reductions would include \$533,100 GPR and 8.65 GPR positions, \$437,300 FED and 10.70 FED positions, \$2,185,000 PR and 33.85 PR positions, and \$213,400 SEG and 3.25 SEG positions annually. Funding and position reductions are associated with positions that have been vacant for 12 months or more.

	Funding	Positions
GPR	- \$1,066,200	- 8.65
FED	- 874,600	- 10.70
PR	- 4,370,000	- 33.85
SEG	- 426,800	- 3.25
Total	- \$6,737,600	- 56.45

6. BUDGET REDUCTIONS

PR	- \$2,424,200
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Governor: Delete \$1,212,100 PR annually to reduce funding for supplies and services, permanent property, unallotted reserve, aids to individuals and organizations, and local assistance. Funding would be reduced in the following appropriations: administration of grants and loans; woman-owned business certification processing fees; Wisconsin Development Fund, repayments; gaming economic development and diversification, repayments; minority business projects, repayments; rural economic development loan repayments; manufactured housing rehabilitation and recycling; American Indian economic development, technical assistance; housing program services, other entities; funding for the homeless; housing program services; regulation of industry, safety and buildings, auxiliary services; safety and building operations; interagency agreements; executive and administrative services, sale of materials or services; and administrative services.

7. ELIMINATE DEPARTMENT OF COMMERCE -- OVERVIEW

Governor: Eliminate the Department of Commerce. Transfer certain economic development programs to the Wisconsin Economic Development Corporation (WEDC). Transfer certain economic development functions and executive and administrative services personnel to the Department of Regulation and Licensing, which would be renamed the Department of Safety and Professional Services (DSPS) under the bill. Transfer the Division of Safety and Buildings and the Division of Environmental Regulatory Services and incumbent

staff to DSPS. Transfer housing programs to the Wisconsin Housing and Economic Development Authority (WHEDA).

The following table summarizes funding provided to Commerce under current law, and funding provided to WEDC, DSPS, and WHEDA under the bill related to the elimination of Commerce. Following the table are several summary entries in Commerce that provide detail about funding and positions that are eliminated or transferred. No incumbent Commerce staff are transferred to WEDC and WHEDA, as those entities are not state agencies, and their employees are not state employees. Administration and Commerce officials have indicated that it is expected that all incumbent Commerce staff will be transferred to DSPS, or will be offered positions with WEDC or WHEDA. The figures shown under "Commerce Adjustments" are the sum of the items #1 thru #6 above.

Funding and Positions Related to the Reorganization of Commerce Functions Under the Bill

<u>Department/Fund Source</u>	<u>2011-12 Appropriation</u>	<u>2012-13 Appropriation</u>	<u>2012-13 Positions</u>
Commerce Adjustments*			
GPR	-\$79,400	-\$79,400	-8.65
FED	703,400	703,400	-10.70
PR	-1,820,200	-1,820,200	-33.85
SEG	<u>380,600</u>	<u>380,600</u>	<u>-3.25</u>
Total	-\$815,600	-\$815,600	-56.45
Economic Development and Administrative Services Programs			
<i>Commerce</i>			
GPR	-\$18,866,700	-\$18,866,700	-45.55
FED	-36,632,900	-36,632,900	-16.45
PR	-9,917,700	-9,917,700	-34.60
SEG	<u>-21,702,800</u>	<u>-21,702,800</u>	<u>-3.00</u>
Total	-\$87,120,100	-\$87,120,100	-99.60
<i>Wisconsin Economic Development Corporation</i>			
GPR	\$18,743,700	\$16,399,600	
FED	36,390,600	36,390,600	
PR	4,861,200	4,861,200	
SEG	<u>38,850,000</u>	<u>39,850,000</u>	
Total	\$98,845,500	\$97,501,400	**
<i>Safety and Professional Services</i>			
GPR	\$534,500	\$534,500	4.00
FED	242,300	242,300	3.00
PR	3,786,000	3,786,000	27.00
SEG	<u>194,000</u>	<u>194,000</u>	<u>2.00</u>
Total	\$4,756,800	\$4,756,800	36.00
Subtotal -- Economic Development Programs	\$16,482,200	\$15,138,100	-63.60**

<u>Department/Fund Source</u>	<u>2011-12 Appropriation</u>	<u>2012-13 Appropriation</u>	<u>2012-13 Positions</u>
Safety and Buildings, Environmental Regulatory Services			
<i>Commerce</i>			
GPR	-\$2,815,000	-\$2,815,000	0.00
FED	-1,768,600	-1,768,600	-15.60
PR	-31,705,200	-31,705,200	-138.00
SEG	<u>-18,294,600</u>	<u>-18,294,600</u>	<u>-64.30</u>
Total	-\$54,583,400	-\$54,583,400	-217.90
<i>Safety and Professional Services</i>			
GPR	\$2,338,600	\$2,338,600	0.00
FED	1,768,600	1,768,600	15.60
PR	31,705,200	31,705,200	136.00
SEG	<u>13,744,600</u>	<u>13,744,600</u>	<u>66.30</u>
Total	\$49,557,000	\$49,557,000	217.90
Subtotal -- Safety and Buildings, and Environmental Regulatory Services	-\$5,026,400	-\$5,026,400	0.00
Housing Programs			
<i>Commerce</i>			
GPR	-\$5,063,000	-\$5,063,000	-4.95
FED	-34,632,400	-34,632,400	-13.95
PR	-1,013,700	-1,013,700	0.00
SEG	<u>0</u>	<u>0</u>	<u>0.00</u>
Total	-\$40,709,100	-\$40,709,100	-18.90
<i>Wisconsin Housing and Economic Development Authority</i>			
GPR	5,063,000	\$5,063,000	
FED	34,632,400	34,632,400	
PR	1,013,700	1,013,700	
SEG	<u>0</u>	<u>0</u>	
Total	\$40,709,100	\$40,709,100	**
Subtotal -- Housing Programs	\$0	\$0	-18.90**
Grand Total			
<i>Commerce</i>			
GPR	-\$26,824,100	-\$26,824,100	-59.15
FED	-72,330,500	-72,330,500	-56.70
PR	-44,456,800	-44,456,800	-206.45
SEG	<u>-39,616,800</u>	<u>-39,616,800</u>	<u>-70.55</u>
Commerce Total	-\$183,228,200	-\$183,228,200	-392.85
<i>Wisconsin Economic Development Corporation</i>			
GPR	\$18,743,700	\$16,399,600	
FED	36,390,600	36,390,600	
PR	4,861,200	4,861,200	
SEG	<u>38,850,000</u>	<u>39,850,000</u>	
WEDC Total	\$98,845,500	\$97,501,400	**

<u>Department/Fund Source</u>	<u>2011-12 Appropriation</u>	<u>2012-13 Appropriation</u>	<u>2012-13 Positions</u>
<i>Safety and Professional Services</i>			
GPR	\$2,873,100	\$2,873,100	4.00
FED	2,010,900	2,010,900	18.60
PR	35,491,200	35,491,200	164.00***
SEG	<u>13,938,600</u>	<u>13,938,600</u>	<u>68.30</u>
DSPS Total	\$54,313,800	\$54,313,800	254.90
<i>Wisconsin Housing and Economic Development Authority</i>			
GPR	\$5,063,000	\$5,063,000	
FED	34,632,400	34,632,400	
PR	1,013,700	1,013,700	
SEG	<u>0</u>	<u>0</u>	
WHEDA Total	\$40,709,100	\$40,709,100	**
<i>Grand Total</i>			
GPR	-\$144,300	-\$2,488,400	-55.15
FED	703,400	703,400	-38.10
PR	-3,090,700	-3,090,700	-42.45
SEG	<u>13,171,800</u>	<u>14,171,800</u>	<u>-2.25</u>
Reorganization Total	\$10,640,200	\$9,296,100	-137.95**

*Includes items related to standard budget adjustments, reestimated spending authority for woman-owned business fees, employee contributions for pension and health insurance, budget reductions, and elimination of long-term vacancies.

**WEDC and WHEDA are not state agencies, and their employees are not state employees. Administration officials indicate they expect that all current Commerce employees will be transferred to DSPS, or offered positions at WEDC or WHEDA.

***In addition to transferring funds and positions from Commerce to DSPS, the table includes a position created in DSPS by transferring funds from supplies to salary and fringe. The administration indicates the position would be used for centralized administrative support, and a corresponding position is deleted in DOA.

8. ELIMINATE DIVISION OF BUSINESS DEVELOPMENT AND ECONOMIC AND COMMUNITY DEVELOPMENT FUNCTIONS

Governor: Delete \$17,255,100 GPR, 38.05 GPR positions, \$36,119,900 FED, 11.55 FED positions, \$6,131,700 PR, 6.5 PR positions, \$21,508,800 SEG, and 1.0 SEG position

annually to eliminate the Division of Business Development and certain economic and community development functions performed by the Department of Commerce. (The Wisconsin Economic Development Corporation [WEDC] would create and administer most state economic development programs.

	Funding	Positions
GPR	- \$34,510,200	- 38.05
FED	- 72,239,800	- 11.55
PR	- 12,263,400	- 6.50
SEG	<u>- 43,017,600</u>	<u>- 1.00</u>
Total	- \$162,031,000	- 57.10

Transfer of Funding and Positions. The following table shows the appropriations deleted from Commerce. The table includes the base funding in Commerce and the deleted

appropriation, related funding and positions. Other summary items under Commerce, including standard budget adjustments, employee contributions to pensions and health insurance, budget reductions, removal of long-term vacant positions, and re-estimating woman-owned business certification fees also affect appropriation amounts and position authority and are shown in separate entries.

The bill would repeal the manufactured housing rehabilitation and recycling program appropriation. Currently, Commerce contracts with a tax-exempt organization to provide grants to: (a) municipalities, organizations, and persons to dispose of abandoned manufactured homes; (b) assist eligible low- to moderate- homeowners with critical repairs of the manufactured home in which they reside; and (c) offset costs of administering the program. The program is funded from a \$7 fee per new or transferred certificate of title for a manufactured home. The bill retains the fee, and transfers collection of the fee to DSPS, but it does not provide an alternative to the repealed appropriation for deposit of the fees. (Administration officials indicate the Governor intended to transfer the program and appropriation to DSPS. The bill would need to be amended to accomplish this.)

Deleted Commerce Economic and Community Development Appropriations and Funding

<u>Appropriation Name</u>	Commerce 2010-11 Base <u>Funding</u>	Base <u>Positions</u>	Annual Funding <u>Eliminated</u>	Annual Positions <u>Eliminated</u>
Economic and Community Development				
<i>General Fund</i>				
General program operations	\$3,959,900	40.35	\$3,829,000	33.55
Economic development promotion; plans and studies	28,200		28,200	
Wisconsin venture fund	136,000		136,000	
Value supply chain grants	0		0	
Wisconsin development fund; grants, loans, reimbursements, and assistance	9,462,000		9,462,900	
Community-based, nonprofit organization grant for educational project	0		0	
Rural outsourcing grants	250,000		250,000	
High-technology business development corporation	534,700		534,700	
Main street program	383,100	4.50	434,000	4.50
Technology-based economic development	0		0	
Hazardous pollution prevention; contract	0		0	
Rural economic development program	569,300		569,300	
International trade; business and economic development grant	0		0	
Forward innovation fund; grants and loans	884,600		884,600	
Manufacturing extension center grants	1,126,400		1,126,400	
Woman's business incubator grant	0		0	
Total GPR	\$17,334,200	44.85	\$17,255,100	38.05
<i>Program Revenue</i>				
Gifts, grants, and proceeds	\$492,000	2.50	\$475,000	2.00
Office of regulatory assistance	0	0.00	0	0.00
Recycling and renewable energy fund; repayments	0		0	
Administration of grants and loans	216,100	2.50	225,500	2.50
Wisconsin development fund; entrepreneurial assistance grants	45,000		45,000	
Economic development operations	0		0	

<u>Appropriation Name</u>	<u>Commerce 2010-11 Base Funding</u>	<u>Base Positions</u>	<u>Annual Funding Eliminated</u>	<u>Annual Positions Eliminated</u>
Certified capital companies	\$0		\$0	
Loans to manufacturing businesses; repayments	0		0	
Wisconsin development fund; repayments	3,801,500		3,421,300	
Gaming economic development and diversification; repayments	328,500		295,600	
Grant and loan repayments; forward innovation fund	0		0	
Rural economic development loan repayments	113,900		102,500	
Manufactured housing rehabilitation and recycling; program revenue	65,700		59,100	
Sale of materials or services	0		0	
Sale of materials and services- local assistance	0		0	
Sale of materials and services - individuals and organizations	0		0	
Clean air act compliance assistance	232,500	2.00	237,200	2.00
American Indian economic development; technical assistance	88,300		79,500	
American Indian economic liaison and gaming grants specialist and program marketing	104,200	1.00	111,600	
American Indian economic development; liaison grants	0		0	
Gaming economic development and diversification; grants and loans	1,079,400		1,079,400	
Funds transferred from other state agencies	0		0	
Total PR	\$6,567,100	8.00	\$6,131,700	6.50
<i>Federal Funds</i>				
Federal aid, state operations	\$1,473,700	17.05	\$1,719,900	11.55
Loans to manufacturing businesses	0		0	
Federal aid, local assistance	34,400,000		34,400,000	
Federal aid, individuals and organizations	0		0	
Total FED	\$35,873,700	17.05	\$36,119,900	11.55
<i>Segregated Funds</i>				
Brownfields grant program and related grants; environmental fund	\$6,570,500		\$6,570,500	
Wisconsin development fund grants & loans; recycling & renewable energy fund	14,850,000		14,850,000	
Wisconsin development fund, administration; recycling & renewable energy fund	69,700	1.00	88,300	1.00
Total SEG	\$21,490,200	1.00	\$21,508,800	1.00
Total Economic and Community Development	\$81,265,200	70.90	\$81,015,500	57.10

Statutory provisions creating the Department of Commerce, the Division of International and Export Development, the Economic Policy Board, and two unclassified positions engaged in advertising, marketing, and promotional activities within the U.S. for business recruitment would be deleted. The Small Business Regulatory Review Board would be transferred to the Department of Administration. The following statutory provisions, including almost all specific Commerce economic development programs and community development functions, would be repealed:

1. Organization of the Department.
2. Duties and powers of the secretary.

3. Business and industrial development functions. A statutory provision under this section that relates to industrial development activities being directed by the Governor would remain. Administration officials indicate that the provision was intended to be deleted. The bill would need to be amended to accomplish this.

4. Reallocation of recovery zone facility bonds.

5. Community development functions.

6. Administration of federal community development block grants (CDBG)

7. Capital access program.

8. Powers and duties related the disposition of state land and buildings for economic development.

9. Authority to provide coordinating services to state and local groups and to coordinate, communicate, and provide economic development related research to state, local, and federal agencies.

10. Economic and community development planning and research.

11. The state Main Street program and related council.

12. The small business environmental council.

13. Renewable energy grants and loans.

14. Loans to manufacturing businesses (green to gold) and related statutory provisions.

15. Gaming economic diversification grants and loans.

16. Grants to the Center for Advanced Technology and Innovation in Racine.

17. Economic adjustment program. Including the Department's responsibilities related to notification for business closing and mass layoffs.

18. Business employees' skills training (BEST) grant program.

19. Entrepreneurial assistance grants.

20. International services, including the Wisconsin trade project program.

21. Rural economic development (RED) program and related Board.

22. Authority to contract for pollution prevention services from the UW-Extension solid and hazardous waste center, and related activities.

23. Targeted microloan program.

24. Manufacturing extension center grants.
25. Grants to the Wisconsin Angel Network.
26. High-technology business development corporation (Wisconsin Technology Council) grants.
27. The Wisconsin Development Fund (WDF) including technology commercialization grant and loan programs.
28. Technology transfer grant and loan program.
29. Wisconsin Venture Fund.
30. Forward Innovation Fund.
31. Office of Regulatory Assistance and regulatory ombudsman.
32. Entrepreneurial assistance network responsibilities.
33. American Indian economic development programs, including technical assistance and liaison grants. (The Department of Administration tribal gaming revenue appropriation for materials and services to state agencies and certain districts would be increased by \$79,500 PR annually. Administration officials indicate that this funding would be used for the American Indian economic development, technical assistance grants. However, the statutory program provisions are not transferred to DOA.)
34. Technology-based economic development responsibilities.
35. Small business ombudsman and clearinghouse.

Councils and Memberships. The Department's membership and required activities with the Mississippi River Parkway Commission would be repealed. The bill would also eliminate a provision authorizing any state agency, local public body, commission or agency, if permitted by law, to allocate funds under their control to fund programs recommended by the Commission. Commerce responsibility to support Commission programs that promote statewide economic development would be deleted as well. The Department's responsibilities with regard to the Council on Forestry would be repealed. Commerce would be deleted as a member of: (a) the Council on Offender Reentry; (b) the Small Business Regulatory Review Board; and (c) the Rural Health Development Council. Commerce would also be deleted as a liaison representative to the Kickapoo Valley Reserve Management Board.

Other Modifications to Department Functions. The following statutory requirements would be repealed: (a) that Commerce, in conjunction with other state agencies and local governments, make a biennial comprehensive report to the Governor and legislature on the effects and impacts of town tax incremental financing districts; (b) that copies municipal certifications of incorporation be sent to the Department; (c) that the Secretary of Commerce or designee serve as a nonvoting member of a regional planning commission of a first class city

(Milwaukee); (d) that the Department of Transportation (DOT) be required to consult with Commerce in constructing an interchange of I-90 for certain businesses; (e) that DOT establish criteria for evaluating applications for harbor assistance grants (the administration has indicated this provision is repealed in error), and that the Department consult with Commerce in developing these criteria; (f) that the Department of Agriculture, Trade and Consumer Protection (DATCP) and Commerce enter into a memorandum of understanding for a strategic plan for international agribusiness marketing; (g) that applicants who wish to raise and remove sunken logs from state lands include a business plan approved by Commerce with their applications; (h) that state agencies notify Commerce before promulgating rules that would affect small businesses. Statutory cross references to the definition of "permit" would be modified to reflect repeal of that definition under Commerce. Department functions related to the Health and Educational Facilities Authority, and the job training reserve fund and job training loan guarantee program under the Wisconsin Housing and Economic Development Authority would be deleted.

The Division of Business Development provides technical and financial assistance to assist businesses in planning, site selection, initial capitalization, permitting (including environmental), employee training, research and development, business expansion, and export development. The Department's community development activities include providing financial assistance to local governments through the CDBG program for business development projects, constructing and improving local infrastructure, and preparing economic development plans. Blight elimination and brownfields redevelopment grants fund development projects in environmentally contaminated areas. The Main Street program provides technical assistance for redeveloping downtown business districts.

[Bill Sections: 79 thru 81, 101 thru 109, 115, 169, 175, 228, 364, 384 thru 399, 401 thru 405, 407 thru 412, 414 thru 429, 431 thru 433, 590, 740 thru 744, 869, 908, 909, 987, 1168, 1169, 1695, 1719, 1721, 1740, 1741, 2216, 2240, 2301, 2404, 2708 thru 2711, 2722, 2723, 2729, 2731 thru 2734, 2762, 2785 thru 2787, 2818, 2847 thru 2850, 2852, 2853, 2955, 2993, 3200, 3285 thru 3288, 3290 thru 3304, 3306 thru 3314, 3316, 3322 thru 3326, 3328, 3330 thru 3332, 3334, 3339, 3340, 3342 thru 3354, 3360 thru 3362, 3373 thru 3394, 3396 thru 3407, 3439 thru 3447, and 3464]

9. TRANSFER OF ECONOMIC AND COMMUNITY DEVELOPMENT FUNCTIONS TO THE WISCONSIN ECONOMIC DEVELOPMENT CORPORATION

Governor: Transfer the following economic development functions from Commerce to the Wisconsin Economic Development Corporation (WEDC), created by 2011 Wisconsin Act 7:

a. Authority to enter into agreements, subject to approval by the Secretary of Administration, regarding compensation, space and other administrative matters necessary to operate offices in other states and foreign countries.

b. Providing assistance to new and small businesses receiving economic loans or assistance from the Wisconsin Housing and Economic development authority (WHEDA) in

locating venture capital and obtaining state licenses and permits.

c. Allocating the volume cap on industrial revenue bonds. Industrial revenue bonds (IRBs) are primarily used to finance manufacturing projects. Commerce allocates IRB volume cap amounts to cities, villages, towns, and counties. The municipality or county sells the IRBs and loans the proceeds to the business conducting the project.

d. Administering employment impact estimates for IRB and WHEDA economic development projects.

e. Requiring the repayment of grants, loans, and tax credits if persons receiving the tax benefits cease conducting the economic activity in the state for which the tax benefits were received.

f. Preparing and submitting an annual report to the State of Wisconsin Investment Board (SWIB) describing the types of investments in businesses in Wisconsin that would enhance economic development in the state.

g. Monitoring notification of position openings by recipients of IRBs or state grants or loans.

h. Administration of the brownfields grant program and the annual report on brownfields redevelopment. The program provides financial assistance to individuals, trustees, municipalities, businesses and nonprofit organizations that conduct brownfields redevelopment and related environmental remediation projects. Under the bill, no related funding would be transferred directly from Commerce to WEDC for program grants. The \$1.25 million grant limit and requirement that rules establishing program criteria be established would be deleted.

i. Administration of the electronic medical records tax credit. The tax credit equals 50% of the amount paid by a health care provider in a tax year for information technology hardware or software that is used to maintain medical records in an electronic form. Commerce is required to implement a program to certify health care providers as eligible to claim the tax credit and to allocate tax credits to individual claimants.

j. Administration of early stage business investment tax credits. The program includes the angel investment tax credit and the early stage seed investment tax credit. The angel investment tax credit equals 25% of the claimant's bona fide angel investment made directly in a qualified new business venture (QNBV) for the tax year. The early stage seed investment tax credit is equal to 25% of the claimant's investment paid in the tax year to a certified fund manager that the fund manager invests in a QNBV certified by Commerce. Commerce must verify and certify angel and early stage seed investments before tax credits can be claimed. Commerce is also required to certify QNBVs and fund managers and to perform other administrative functions related to revocation of certifications, transfer of credits, verification of investments and credits, and processing and compiling reports.

k. Administration of the jobs tax credit. The credit equals 10% of wages between \$20,000 or \$30,000, and \$100,000 depending upon location. However, under the bill, the jobs

tax credit would be changed to equal the lesser of 10% of wages or \$10,000. (see General Fund Taxes, Income and Franchise Taxes). A credit can also be claimed for expenses for improving the job-related skills of any eligible employee, training any eligible employee on the use of job-related new technologies, or providing job-related training to any eligible employee whose employment represents the employee's first full-time job. Commerce is required to allocate tax credits and certify claimants as eligible for the credits, and verify tax credit claims.

l. Administration of the food processing plant and food warehouse investment tax credit. The credit equals 10% of the amount paid in the tax year by the claimant for food processing or food warehousing modernization or expansion. Commerce is required to certify taxpayers, allocate tax credits, and verify tax credit claims.

m. Administration of the meat processing facility investment tax credit. A refundable tax credit may be claimed equal to 10% of the amount the claimant paid in the tax year for meat processing modernization or expansion. Commerce is required to certify claimants and allocate credits.

n. Administration of the woody biomass harvesting and processing tax credit. The credit is equal to 10% of the amount the claimant pays in the tax year for equipment that is used primarily to harvest or process woody biomass that is used for fuel or as a component of fuel. Commerce is required to certify taxpayers as eligible for tax credits and to allocate the credits.

o. Administration of the economic development tax credit. The credit can be claimed by businesses that conduct a job creation, capital investment, employee training, or corporate headquarters location or retention projects. In general, jobs credits ranging from \$3,000 to \$10,000 per job created or retained can be claimed, depending upon the type and location of the project, and the wages paid to the employee. In order to claim an economic development tax credit, a business must apply to Commerce for certification and allocation of tax credits.

p. Administration of statutory economic development zone programs. Provisions included in 2009 Act 2 discontinued the development zones, enterprise development zones, agricultural development zones, airport development zones (a technical correction is necessary), and technology zones programs and created the economic development tax credit (described above). The bill would provide WEDC with statutory authority to administer the zone programs. However, as noted, these programs were essentially discontinued under provisions in Act 2.

q. Administration of the enterprise zone tax credits. The program provides tax credits, which can be claimed for increased employment, retraining employees, capital investment, and purchases from Wisconsin vendors, for businesses in a zone. The enterprise zone jobs tax credit equals up to 7% of the wages of new employees in excess of \$20,000 or \$30,000, depending on measures of economic distress in the county in which a project is located. A tax credit of up to 7% is provided for an increase in payroll for employees with wages in excess of \$20,000 or \$30,000, depending upon economic distress indicators, and only if the number of employees is the same or increased from the year in which the zone was created. A credit can also be claimed for retaining jobs, if the business makes a significant capital investment, and is an original equipment manufacturer, or has more than 500 full-time employees in an enterprise zone. A credit can also be claimed for up to 1% of the amount of certain purchases of goods and services

from Wisconsin vendors. Twelve zones have been authorized. Commerce is required to designate zones and certify and allocate tax credits to a business if it meets certain criteria related to job creation, investment, wages, and benefits paid, and purchases from Wisconsin businesses.

r. Administration of development opportunity zones. Under 2009 Act 28 Commerce was required to designate an area in the City of Kenosha, and an area in the City of Janesville as development opportunity zones that exist for five years. Any business that locates and conducts activity in the zones is eligible to claim the development zone environmental remediation and jobs tax credit and the development zone capital investment tax credit, and the maximum amount of tax credits that can be claimed by businesses in each zone is \$5.0 million. In order to claim tax credits, a business that conducts economic activity in the Kenosha or Janesville development opportunity zone must submit a project plan to Commerce, and comply with other statutory provisions governing development opportunity zones. Commerce can extend the zone an additional five years, and provide an additional \$5.0 million in tax credits, if it supports economic development in the city.

WEDC would be authorized to adopt rules to administer the programs that would be transferred, though the Authority would not be subject to most administrative rule promulgation requirements applicable to state agencies.

Transfer of Assets, Records and Contracts. The bill would provide that the assets, liabilities, tangible personal property, and records of Commerce primarily related to the Department's transferred economic and community development functions, except for those functions transferred to the Departments of Administration (DOA) and Agriculture, Trade, and Consumer Protection (DATCP), as determined by the Secretary of Administration, would become the assets, liabilities, property and records of WEDC.

All contracts entered into by Commerce before the effective date of the bill that are primarily related to transferred Commerce economic and community development functions, except for contracts related to functions transferred to DOA or DATCP, as determined by the Secretary of Administration, remain in effect and would be transferred to WEDC. The Corporation would be required to carry out any obligations under a contract until the contract was modified or rescinded by WEDC, to the extent allowed under the contract.

Transfer of Unencumbered Appropriation Balances. The bill would transfer all unencumbered appropriation account balances that would be deleted under Commerce economic and community development, including federal funds, to WEDC.

Other Provisions Related to the Transfer to WEDC. Current law exceptions from disclosure requirements for officials and employees of Commerce for receiving anything of value for activities related to foreign trade trips and hosting individuals to promote tourism, and the related required Department report, would be transferred to WEDC. Statutory cross references to the Department of Commerce would be changed to reflect the transfer to WEDC including provisions related to: coordinating activities with county and town industrial agencies; Department of Transportation statement of determinations for acquisition of abandoned rail property; promotion with DATCP of agricultural products in the state; promotion of aeronautics in the state; providing information to state agencies for economic impact reports on proposed

administrative rules; and functions related to WHEDA economic development programs. Statutory cross references to the definition of "qualified new business venture", "economic development program" and "brownfields" would be changed to reflect administrative transfer to WEDC. The statutory definitions of "business," "governing body," and "job" would be recreated under Department of Transportation facilities and economic assistance and development provisions.

Economic Development Audits and Accountability Measures. The financial and performance audit of state agency economic development programs prepared by the Legislative Audit Bureau and due on July 1, 2012, and the audit of the economic development tax credit due on July 2014, would include WEDC rather than Commerce. Current law provisions that require certain state agencies to consult with Commerce in developing accountability measures and goals for economic development programs and to provide comprehensive annual reports assessing economic development programs to Commerce would be modified to reflect the transfer of economic development functions to WEDC. In addition, the bill would specify that each Department would be required to coordinate any economic development assistance with WEDC. These provisions would apply to the following agencies: (a) the Department of Natural Resources; (b) the University of Wisconsin System; (c) Department of Tourism; (d) Department of Transportation; and (e) the Wisconsin Housing and Economic Development Authority.

Annual Comprehensive Report. The bill would repeal an annual comprehensive report on economic development programs required to be submitted by Commerce to the Joint Audit Committee and legislative standing committees by each October 1 and to be readily available on the Internet. A similar provision was created for WEDC under 2011 Act 7. However, the report repealed under Commerce requires items not currently included under the WEDC provision. These would include the following: (a) quantifiable performance measures directly relating to the purpose of the economic development program, including, when applicable, the location by municipality and the industry classification of each job created or retained; and, (b) the amount and recipient of each tax credit allocation made.

Transfer of Councils and Memberships. Membership on the following entities would be transferred from Commerce to WEDC: (a) WHEDA; (b) the Agricultural Education and Workforce Development Council; (c) Investment and Local Impact Fund Board; and (d) the World Dairy Authority. Department functions related to the Lake States Wood Utilization Consortium would be transferred to WEDC.

[Bill Sections: 63, 66, 67, 99, 167, 358 thru 362, 499, 500, 592, 857 thru 860, 868 thru 875, 910, 911, 915, 950, 959, 960, 986, 1088, 1090, 1092 thru 1094, 1161 thru 1167, 1677, 1685, 1731 thru 1739, 1762, 1765 thru 1801, 1803 thru 1821, 1828 thru 1863, 1865 thru 1871, 1878, 1898 thru 1938, 1940 thru 1958, 1965 thru 2002, 2008, 2016 thru 2050, 2052 thru 2070, 2077 thru 2113, 2119, 2129, 2133 thru 2135, 2151, 2153 thru 2161, 2163 thru 2176, 2192, 2196 thru 2199, 2230 thru 2232, 2239, 2293 thru 2300, 2393, 2432, 2703, 2714, 2715, 2738, 2819, 2820, 2824, 2825, 2828 thru 2830, 2833 thru 2846, 2851, 2854, 2987, 2989, 2991, 3289, 3305, 3315, 3318, 3327, 3329, 3333, 3341, 3355 thru 3359, 3363 thru 3367, 3370 thru 3372, 3408 thru 3438, 3448, 9110(6), and 9210(2)&(3)]

10. TRANSFER CERTAIN ECONOMIC DEVELOPMENT AND EXECUTIVE AND ADMINISTRATIVE SERVICES FUNCTIONS TO THE DEPARTMENT OF SAFETY AND PROFESSIONAL SERVICES

	Funding	Positions
GPR	- \$3,223,200	- 7.50
FED	- 1,026,000	- 4.90
PR	- 7,572,000	- 28.10
SEG	- 388,000	- 2.00
Total	- \$12,209,200	- 42.50

Governor: Delete \$1,611,600 GPR, 7.5 GPR positions, \$513,000 FED, 4.9 FED positions, \$3,786,000 PR, 28.1 PR positions, \$194,000 SEG and 2.0 SEG positions annually and transfer certain economic development functions and executive and administrative services personnel to the Department of Safety and Professional Services. (See the entry under Regulation and Licensing for the recommendation that the agency be renamed the Department of Safety and Professional services (DSPS) and the funding provided to that Department.)

Economic development and administrative funding and personnel that would be transferred would include:

a. Administration of the Women's Business Initiative Corporation (WBIC) grant (\$99,000 GPR annually). WBIC provides access to capital through direct lending, individualized business assistance, and business education focused on women, minority, and low-income individuals.

b. Administration of the minority, woman-owned, and disabled veteran owned certification programs. The woman-owned business processing fees appropriation (\$31,500 PR annual expenditure authority) would be renamed disabled veteran-owned, woman-owned, and minority business certification fees and transferred to DSPS. The Department would be authorized to charge fees to minority business for certification. Statutory cross-references to the definitions of "minority", "minority business", "woman-owned business", and "disabled veteran-owned business" would be changed to reflect the transfer. Under the minority, woman-owned, and disabled-veteran owned business certification programs, Commerce certifies such businesses as eligible for bid preference for state contracts. The Department charges a \$50 certification fee, and \$100 for two one-year renewals.

c. Administration of small business innovation research (SBIR) assistance grants. The bill would transfer the minority business projects; repayments appropriation, and \$510,500 PR annual expenditure authority to DSPS for the grants. The program provides financial aid to small Wisconsin high-technology businesses to help them obtain seed, early-stage or research and development funding. Funding is provided to: (a) businesses in the early stage research and development phase preceding eligibility for grants under the federal SBIR program; (b) businesses preparing for SBIR applications; and (c) businesses that have received prior federal SBIR funding and are in the commercialization phase of this activity.

d. The brownfields redevelopment activities appropriation (annual funding of \$194,000 environmental fund SEG and 2.0 positions). The positions administer the Department's blight elimination and brownfields redevelopment (BEBR) grant program. BEBR provides financial assistance to individuals, businesses and local governments for assessing and remediating the environmental contamination of an abandoned, idle, underused or blighted industrial or commercial facility or site. (Administration officials indicate that this appropriation, and the related funding and positions, was intended to be deleted as part of eliminating the Department of Commerce. The bill would need to be amended to accomplish this.)

e. Funding and positions deleted from the Commerce Division of Administrative Services includes \$1,512,600 GPR and 7.5 GPR positions, \$513,000 FED and 4.9 FED positions, \$3,244,000 PR and 28.1 PR positions. The Division provides internal management services, including personnel, payroll and benefits, affirmative action, employee health and safety, labor relations, telecommunications, property and space management. The administrative services general program operations appropriation would be renamed general program operations -- executive and administrative services under DSPS. The sale of materials and services program revenue appropriation would be renumbered under DSPS. The gifts, grants, and proceeds program revenue, and federal aid, state operations appropriations would be repealed. Resources provided to DSPS are shown in the following table.

f. The state relocation unit would be transferred to DSPS. Under Wisconsin relocation law, public agencies and local governments that undertake a publicly-funded activity that displaces them from their homes, farms or businesses are required to file a relocation plan with the state relocation unit. A relocation plan must explain the actions taken by the agency or governmental unit to: (a) assist displaced owners and tenants in finding suitable replacement dwellings, farms, or business locations; (b) inform displaced persons on available state, federal, and local assistance programs; (c) determine the costs of relocation payments and services; (d) and ensure that persons are not required to vacate dwellings until they have a reasonable chance to find replacement dwellings. The Relocation Unit assists local governments and agencies in developing equitable relocation plans, payments and services, as well as assisting in resolving disagreements. The Unit also provides information materials on state relocation and eminent domain laws, and develops sample formats for plans and waivers.

g. Authority to promulgate administrative rules related to administration of the rural hospital loan guarantee program under the Wisconsin Health and Educational Facilities Authority (WHEFA) would be transferred to the Department of Administration (DOA).

Transfer of Funding and Positions. The table shows the appropriations transferred from Commerce to DSPS. The table includes the base funding in Commerce and the appropriation amounts and position authority in DSPS. Other summary items under Commerce, including standard budget adjustments, employee contributions to pensions and health insurance, budget efficiencies, removal of long-term vacant positions, and re-estimating woman-owned business certification fees also affect appropriation amounts and position authority and are summarized separately.

**Commerce Economic and Community Development
and Executive and Administrative Services Appropriations Transferred
to the Department of Safety and Professional Services**

	Commerce 2010-11 Base <u>Funding</u>	Base <u>Positions</u>	<u>Appropriated to DSPS</u>		
			<u>Funding</u>		<u>Positions</u>
			<u>2011-12</u>	<u>2012-13</u>	<u>2012-13</u>
Economic and Community Development					
<i>General Fund</i>					
Woman's business initiative corporation	\$99,000		\$99,000	\$99,000	
<i>Program Revenue</i>					
Disabled veteran-owned, woman-owned, and minority business certification fees	291,000		31,500	31,500	
Minority business projects; repayments	<u>567,200</u>		<u>510,500</u>	<u>510,500</u>	
Total PR	\$858,200		\$542,000	\$542,000	
<i>Segregated Funds</i>					
Brownfields redevelopment activities; administration	\$190,500	2.25	\$194,000	\$194,000	2.00
Executive and Administrative Services					
<i>General Fund</i>					
General program operations - executive and administrative services	\$1,447,000	7.50	\$435,500	\$435,500	4.00
<i>Program Revenue</i>					
Sale of materials or services	39,600		35,600	35,600	
Sale of materials and services - local assistance	0		0	0	
Sale of materials and services - individuals and organizations	0		0	0	
Administrative services	3,629,000	33.45	3,196,400	3,196,400	27.00
Gifts, grants and proceeds	12,000		12,000	12,000	
Transfer of unappropriated balances	0				
Total PR	\$3,641,000	33.45	\$3,208,400	\$3,208,400	27.00
<i>Federal Funds</i>					
Federal aid, local assistance	0		0	0	
federal aid, individuals and organizations	0		0	0	
Indirect cost reimbursements	<u>459,900</u>	<u>6.90</u>	<u>242,300</u>	<u>242,300</u>	<u>3.00</u>
Total	\$6,695,600	50.10	\$4,756,800	\$4,756,800	36.00
Fund Source Totals					
GPR	\$1,546,000	7.50	\$534,500	\$534,500	4.00
PR	4,487,200	33.45	3,786,000	3,786,000	27.00
FED	459,900	6.90	242,300	242,300	3.00
SEG	<u>194,000</u>	<u>2.25</u>	<u>194,000</u>	<u>194,000</u>	<u>2.00</u>
Total	\$6,683,600	50.10	\$4,756,000	\$4,756,000	36.00

Transfer of Program Assets, Employees, and Matters. The bill would provide that the assets, liabilities, tangible personal property, and records of Commerce primarily related to disabled veteran-owned, woman-owned, and minority business certifications, women's business initiative corporation grants, and small business innovation research grants, as determined by the Secretary of Administration, would become the assets, liabilities, property and records of DSPS. Any matter pending related to these activities on the effective date of the bill would be transferred to DSPS. Any materials submitted with respect to the pending matters would be considered as having been submitted to or taken by DSPS.

All contracts entered into by Commerce before the effective date of the bill that are primarily related to disabled veteran-owned, woman-owned, and minority business certifications, women's business initiative corporation grants, and small business innovation research grants, as determined by the Secretary of Administration, remain in effect and would be transferred to

DSPS. The Department would be required to carry out any obligations under a contract until the contract was modified or rescinded by DSPS, to the extent allowed under the contract.

All rules promulgated by Commerce that were in effect on the effective date of the bill that were primarily related to disabled veteran owned, woman-owned, and minority business certifications, women's business initiative corporation grants, and small business innovation research grants would remain in effect until their specified expiration dates, or until amended or repealed by DSPS. All orders issued relating to such certifications or grants that were in effect on the effective date of the bill would remain in effect until their specified expiration dates, or until modified or rescinded.

All positions and all incumbent employees holding those positions in the Department of Commerce in the Division of Administrative Services or that are primarily related to disabled veteran-owned, woman-owned, and minority business certifications, women's business initiative corporation grants, and small business innovation research grants, as determined by the Secretary of Administration, would be transferred to DSPS on the effective date of the bill. Employees transferred under the provision would have the same rights and status related to state employment relations under Chapters 111 and 230 of the statutes. Transferred employees who have attained permanent status would not be required to serve a probationary period. The bill specifies that the incumbent administrator of the Division of Administrative Services who was transferred from a classified position in Commerce to an unclassified position in DSPS would retain protections afforded employees in the classified service related to demotion, suspension, discharge, layoff, or reduction in base pay. It should be noted that, the Division of Administrative Services is one of six divisions in Commerce, and the statutes currently authorize six, unclassified division administrators. Authority for the division administrator positions is not repealed in the bill. An amendment to the bill would be necessary to eliminate the authorized Commerce division administrators.

Transfer of Councils and Memberships. Commerce membership on the following statutorily designated councils and boards would be transferred to DSPS: (a) Council on Small Business, Veteran-Owned Business and Minority Business Opportunities; and (b) Wisconsin Land Council.

[Bill Sections: 97, 250 thru 255, 257, 262, 275, 276, 282, 283, 297, 342 thru 353, 400, 406, 413, 430, 477 thru 488, 872 thru 875, 923 thru 945, 1004, 1089, 1091, 1102, 1112, 1133, 1170, 1197, 1678, 2222 thru 2226, 2256, 2394, 2553, 2554, 2741 thru 2750, 2783 thru 2787, 2831, 2832, 2872, 2873, 3282, 3317, 3319 thru 3321, 3395, 3465, 3466, and 9110(2)&(4)]

11. TRANSFER DIVISIONS OF SAFETY AND BUILDINGS AND ENVIRONMENTAL REGULATORY SERVICES TO DEPARTMENT OF SAFETY AND PROFESSIONAL SERVICES

Governor: Delete \$2,815,000 GPR, \$1,768,600 FED and 15.6 FED positions, \$31,705,200 PR and 138.0 PR positions, and \$18,294,600 SEG and 64.3 SEG positions annually to transfer the Division of Safety and Buildings and the Division of

	Funding Positions	
PR-REV	- \$139,000	
GPR	- \$5,630,000	0.00
FED	- 3,537,200	- 15.60
PR	- 63,410,400	- 138.00
SEG	- 36,589,200	- 64.30
Total	- \$109,166,800	- 217.90

Environmental Regulatory Services to the Department of Safety and Professional Services (DSPS). (See the entry under "Regulation and Licensing" for the recommended renaming of that Department to the Department of "Safety and Professional Services" and the provision of funding to DSPS.)

Current Responsibilities. The Division of Safety and Buildings administers building codes for public and private buildings, places of employment and residential structures. The Division provides plan review and inspection for commercial, industrial, and multifamily buildings, and for systems such as electrical, plumbing, private sewage, elevator, heating, ventilating, and air conditioning, boilers, mechanical, fire protection, amusement rides, swimming pools, and manufactured homes. It delegates responsibility for administration of the one- and two-family dwelling code and associated construction site erosion control to many municipalities, and administers the code in many other municipalities. The Division also issues credentials, licenses, and certifications for many occupations such as electrician, plumber, building inspector, building contractor, liquid petroleum gas supplier, thermal system insulation mechanic, and automatic fire sprinkler contractor. It administers programs related to mine safety, fireworks, and fire prevention. The Division administers the private sewage system rehabilitation and replacement grant program (also known as the Wisconsin Fund), which provides financial assistance to owner-occupants of a principal residence and owners of small commercial businesses who meet certain income and eligibility criteria, to cover a portion of the cost of repairing or replacing failing private sewage systems. The Division also administers a fire department dues program, which uses revenues collected from insurers doing a fire insurance business in the state to fund a portion of costs of state and local fire prevention and fire protection programs. The program distributes most of the revenues to each city, village or town maintaining a local fire department that complies with state law.

The Division of Environmental Regulatory Services is responsible for: (a) inspection of petroleum products that enter the state at terminals; (b) plan review, inspection, and regulation of the installation, operation and proper removal of petroleum product storage tank systems at retail gas stations and non-retail locations and tank systems that store other flammable and combustible liquids; (c) administration of cleanup of low- and medium-risk sites with contamination from discharges from petroleum product storage systems; and (d) administration of payments under the petroleum environmental cleanup fund award (PECFA) program, which reimburses owners for a portion of the cleanup costs of discharges from petroleum product storage tank systems and home heating oil systems.

Transfer of Funding and Positions. The table shows the appropriations transferred from the two Commerce Divisions to DSPS. The table includes the base funding in Commerce and the appropriations and position authority in DSPS. Other summary entries under Commerce describe actions taken under the bill related to standard budget adjustments, employee contributions to pension and health insurance, budget efficiencies, and elimination of long-term vacancies before the Commerce programs are transferred to DSPS.

**Commerce Divisions of Safety and Buildings and Environmental Regulatory Services
Base Funding and Funding Transferred to the Department of Safety and Professional Services**

<u>Appropriation Name</u>	Commerce 2010-11 Base <u>Funding</u>	Base <u>Positions</u>	DSPS 2011-12 <u>Appropriation</u>	DSPS 2012-13 <u>Appropriation</u>	DSPS 2012-13 <u>Positions</u>
General Fund					
Private sewage system replacement and rehabilitation grant program	\$2,815,000	0.00	\$2,338,600	\$2,338,600	0.00
Federal Funds					
General program operations	\$1,711,600	17.40	\$1,768,600	\$1,768,600	15.60
Program Revenues					
Gifts and grants	\$18,000	0.00	\$18,000	\$18,000	0.00
Auxiliary services	23,400	0.00	21,000	21,000	0.00
Safety and buildings operations	16,726,400	156.80	16,263,200	16,263,200	129.14
Interagency agreements	120,800	1.60	113,500	113,500	1.36
Fire dues distribution	14,655,600	0.00	14,655,600	14,655,600	0.00
Fire prevention and fire dues administration	680,400	6.60	633,900	633,900	5.50
Subtotal PR	<u>\$32,224,600</u>	<u>165.00</u>	<u>\$31,705,200</u>	<u>\$31,705,200</u>	<u>136.00</u>
Segregated Revenues					
Petroleum inspection operations	\$5,194,500	43.50	\$5,369,700	\$5,369,700	44.50
Diesel truck idling reduction grants	1,000,000	0.00	1,000,000	1,000,000	0.00
Diesel truck idling reduction grant administration	71,000	1.00	79,800	79,800	1.00
PECFA awards (petroleum environmental cleanup fund award)	9,100,000	0.00	4,550,000	4,550,000	0.00
Removal of underground petroleum storage tanks	100,000	0.00	100,000	100,000	0.00
PECFA administration	<u>2,470,600</u>	<u>22.80</u>	<u>2,645,100</u>	<u>2,645,100</u>	<u>20.80</u>
Subtotal SEG	<u>\$17,936,100</u>	<u>67.30</u>	<u>\$13,744,600</u>	<u>\$13,744,600</u>	<u>66.30</u>
Total Safety and Buildings and Environmental Regulatory Services	\$54,687,300	249.70	\$49,557,000	\$49,557,000	217.90

Transfer of Program Assets, Employees, and Matters. Provide that the assets, liabilities, tangible personal property, and records of Commerce primarily related to the functions of the Division of Safety and Buildings and the Division of Environmental Regulatory Services, as determined by the Secretary of DOA, would become the assets, liabilities, property, and records of DSPS. Transfer any matter pending with the two Commerce Divisions on the effective date of the bill to DSPS. Require that any materials submitted to or actions taken by Commerce with respect to the pending matters would be considered as having been submitted to or taken by DSPS.

Specify that all contracts entered into by Commerce before the effective date of the bill that are related to the Division of Safety and Buildings and the Division of Environmental Regulatory Services, as determined by the Secretary of DOA, remain in effect on the effective date of the bill and are transferred to DSPS. Require DSPS to carry out any obligations under the contract until the contract is modified or rescinded by DSPS to the extent allowed under the contract.

Require that all rules promulgated by Commerce that are in effect on the effective date of the bill and that are primarily related to the functions of the Division of Safety and Buildings and the Division of Environmental Regulatory Services, as determined by the Secretary of DOA, remain in effect until their specified expiration dates or until amended or repealed by DSPS.

Provide that all positions and all incumbent employees holding those positions in Commerce performing duties primarily related to the functions of the Division of Safety and Buildings and the Division of Environmental Regulatory Services, as determined by the Secretary of DOA, are transferred to DSPS on the effective date of the bill. Employees transferred under the provision would have the same rights and status related to state employment relations under Chapters 111 and 230 of the statutes. Transferred employees who have attained permanent status would not be required to serve a probationary period.

Unclassified Positions. Authorize DSPS to employ seven unclassified division administrators, and eliminate the current authorization for four unclassified division administrators under DRL. (The bill does not repeal the authorization for six Commerce division administrators, and would need to be amended to do so under the elimination of Commerce.) Increase the number of unclassified bureau directors in DSPS from to 10, from the five authorized under the current DRL.

Specify that incumbents holding four bureau director positions who are transferred from classified positions in Commerce to unclassified positions in DSPS would retain protections afforded employees in the classified service related to demotion, suspension, discharge, layoff, or reduction in base pay. The positions include: (a) director of the bureau of petroleum environmental cleanup fund administration in the Division of Environmental and Regulatory Services; (b) director of the bureau of petroleum products and tanks in the Division of Environmental and Regulatory Services; (c) director of the bureau of integrated services in the Division of Safety and Buildings; and (d) director of the bureau of program development in the Division of Safety and Buildings.

Transfer Councils and Memberships. Transfer the following statutorily designated councils and boards from Commerce to DSPS: (a) Building Inspector Review Board; (b) Dwelling Code Council; (c) Contractor Certification Council; (d) Plumbers Council; (e) Automatic Fire Sprinkler System Contractors and Journeymen Council; (f) Multifamily Dwelling Code Council; (g) Manufactured Housing Code Council; (h) Conveyance Safety Code Council; (i) Thermal System Insulation Council; and (j) Small Business Environmental Council.

Transfer memberships on the following entities from Commerce to DSPS: (a) Waste Facility Siting Board; (b) Groundwater Coordinating Council; and (c) Indoor Environmental Quality in Schools Task Force.

Other Program Changes. Make changes to specified programs or appropriations as follows:

Amend Chapter 101, 145, and 167, and any other statutes related to regulation of industry, buildings and safety, so that all references to the Department of Commerce would be to the Department of Safety and Professional Services.

Decrease the PECFA (petroleum environmental cleanup fund award) appropriation by \$4,550,000, from \$9,100,000 to \$4,550,000 SEG from the petroleum inspection fund annually. The PECFA program reimburses owners for a portion of the cleanup costs from discharges from petroleum product storage systems and home heating oil systems. The program is funded from a portion of a 2¢ per gallon petroleum inspection fee imposed on petroleum products that enter the state, including gasoline, diesel and heating oil. (Administration officials indicate the intent is to make additional petroleum inspection funds available for transfer to the transportation fund, summarized under DOT.)

Decrease the private sewage system replacement and rehabilitation grant program appropriation by \$476,400, from \$2,815,000 to \$2,338,600 GPR annually. (Administration officials indicate the \$476,400 is part of the GPR appropriation provided to WEDC.)

Transfer the diesel truck idling reduction grant program from Commerce to DSPS. Delete the requirements that: (a) recipients of grants for more than one idling reduction unit purchase idling reduction units of more than one type and from more than one manufacturer; and (b) the Department withhold payment of at least 20 percent of a grant until the recipient has complied with grant conditions established by the Department, including providing information to the Department relating to the operation and performance of each idling reduction unit covered by the grant. The program provides grants to freight motor carriers headquartered in Wisconsin to purchase and install idling reduction units for truck tractors to provide alternate sources of heat, air conditioning, or electricity to the truck while it is stationary, in order to reduce idling of the truck engine.

Regulation of Thermal Insulation Installation. Repeal, instead of transfer to DSPS, the s. 101.136 requirement that Commerce regulate installation of thermal system insulation. Thermal system insulation is any product used in a heating, ventilating, cooling, plumbing, or refrigeration system to insulate any hot or cold surface, including a pipe, duct, valve, boiler, flue, or tank, or equipment on or in a building (commercial, industrial, or residential building with four or more dwellings). In 2009 Act 16, the program was created to require: (a) Commerce to promulgate administrative rules establishing standards for the installation and maintenance of thermal system insulation; (b) thermal system insulation in buildings to conform to the standards as of February 1, 2011; (c) Commerce to employ a state thermal system insulation inspector with specified inspection duties; (d) Commerce to promulgate rules with requirements for the licensing of mechanics who install or maintain thermal system insulation, including payment of fees, and training and continuing education; (e) Commerce to promulgate rules with procedures for assessment of forfeitures for violations of the program; and (f) beginning on July 1, 2011, for persons who install or maintain thermal system insulation to be a mechanic licensed by Commerce. Commerce administrative rules for the program were effective February 1, 2011. Commerce estimates program revenue from the fees under current law would be approximately \$41,000 in 2011-12 and \$98,000 in 2012-13.

Transfer the Thermal System Insulation Council created under s. 15.157(15) to DSPS. The bill would delete the duties of the Council and the thermal system insulation inspector designated under s. 101.136 who serves under s. 15.157(15) as a nonvoting secretary of the Council. The thermal system insulation inspector position and associated funding is deleted under elimination of long-term vacancies. (Under 2009 Act 16, \$78,100 PR and 1.0 position

annually were provided for the inspector position.)

Reallocation of Funds within DSPS. Authorize the Secretary of DOA to reallocate funding within DSPS by transferring moneys from any DSPS appropriation to any other DSPS appropriation before July 1, 2013. Authorize the Secretary to increase or decrease the amounts for any appropriation in the appropriations schedule under section 20.165 (DSPS), if necessary to reallocate funding in accordance with the transfer of functions or personnel from Commerce to DSPS. Prohibit the DOA Secretary from adjusting the appropriation amounts in a way that increases the total amounts appropriated to exceed the totals in the appropriation schedule for DSPS on the effective date of the bill. Require the DOA Secretary to submit a report to the Joint Committee on Finance before July 1, 2013, that identifies the actions taken by the Secretary under this provision. Under current law, transfers of monies between appropriations requires legislation, or the approval of the Joint Committee on Finance under s.13.101 or s. 16.515.

Locations of Certain Circuit Court Actions. Specify that if, under current law (s. 227.59), a judicial appeal of a Commerce administrative order is required to be taken in the Circuit Court of Dane County, and can not be moved to the county of the residence or business of the petitioner, under the bill the provision instead would apply to DSPS. Section 227.53(1)(a)3 generally establishes the venue for proceedings of a judicial appeal of a state agency administrative decision as the county in which the petitioner resides, or where the property affected by the decision is located. This section would not be modified by the bill.

Bodily Harm or Threat to Department Employees. Specify that whoever intentionally causes, or threatens to cause, bodily harm to any DSPS (rather than Commerce currently) employee, official or agent ("employee"), or his or her family, is guilty of a Class H felony (a fine up to \$10,000 and/or imprisonment up to six years), if: (a) at the time the person caused or threatened harm, knows or should have known the victim is a DSPS employee or family member; (b) the DSPS employee was acting in an official capacity at the time of the act of bodily harm or threat, or the act or threat was in response to an action taken in an official capacity; and (c) the DSPS employee did not consent to the harm or threat. Current law applies to Commerce officials but not to Regulation and Licensing employees. Under the bill, the provision would apply to Commerce employees who are transferred to DSPS and also to current DRL employees who would continue in their current capacity in the renamed DSPS. Under the bill, Commerce employees who are currently protected by the provision, but who are hired by WEDC or WHEDA, would no longer be protected by the provision.

[Bill Sections: 68, 73, 92, 98, 110 thru 114, 116 thru 121, 125, 126, 334, 447 thru 476, 585, 586, 890, 916, 920, 1306, 1333, 1386, 1649, 1650, 1653, 1654, 1660, 1670, 1683, 1691, 1693, 1694, 1696, 1715, 1746, 1747, 1879 thru 1881, 2009 thru 2011, 2120 thru 2122, 2178, 2308, 2312 thru 2330, 2333, 2338 thru 2389, 2398 thru 2402, 2446 thru 2449, 2472, 2473, 2638 thru 2646, 2670, 2673 thru 2675, 2677, 2687 thru 2696, 2699 thru 2702, 2705, 2712, 2716 thru 2718, 2735 thru 2737, 2740, 2757, 2760, 2765, 2782, 2855 thru 2858, 2874, 2880, 2881, 2883, 2884, 2886 thru 2889, 2896, 2906 thru 2912, 2924, 2929, 2952, 2986, 2988, 2990, 2992, 2994, 3186, 3187, 3211, 3335 thru 3338, 3467, 3472, 3475, 3501, 3502, 3529 thru 3531, 3561, and 9110(3)&(5)]

12. ELIMINATE HOUSING POSITIONS AND TRANSFER HOUSING PROGRAMS TO WHEDA

	Funding	Positions
GPR	- \$10,126,000	- 4.95
FED	- 69,264,800	- 13.95
PR	- 2,027,400	0.00
Total	- \$81,418,200	- 18.90

Governor: Delete \$5,063,000 GPR and 4.95 GPR positions, \$1,013,700 PR, \$34,632,400 FED and 13.95 FED positions annually and transfer the housing programs to WHEDA. WHEDA would be provided with the same amount of funding that would be eliminated under Commerce for administration and housing assistance programs. The position authority and incumbents holding the positions would not be transferred to WHEDA under the bill. As an authority, WHEDA is not a state agency and the state does not control staffing levels at WHEDA. However, Administration and Commerce officials have indicated that it is expected that incumbent Commerce housing staff will be offered positions with WHEDA or the Wisconsin Economic Development Corporation, or will be transferred to the Department of Safety and Professional Services (DSPS).

Current Responsibilities. Commerce currently administers several state and federally-funded programs that provide housing services to low- and moderate-income households and targeted populations such as homeless persons. The Department awards state and federal funds to local governments, housing organizations, and local housing authorities, and coordinates state housing policy and resources. Commerce responsibilities include: (a) support local organizations that provide services to help low- and moderate-income persons acquire stable living arrangements; (b) develop and sustain local capacity to provide short-term emergency shelter to homeless persons; (c) maintain a statewide centralized collection of information that links providers of affordable housing and housing support services to persons who need them; (d) maintain the state's databases relating to affordable rental housing, homelessness, and homeless services; (e) provide financial assistance for rehabilitation of housing occupied by low- and moderate-income renters and homeowners; (f) provide financial assistance with home purchase and foreclosure prevention; (g) help communities and low- to moderate-income families recover from damage from natural disasters; (h) develop state housing policy and coordinate housing programs with other state and local housing and community development agencies by making annual updates to a comprehensive five-year federally-required housing strategy plan; (i) provide information to local organizations about affordable housing resources; and (j) prepare reports on bills that are introduced in the Legislature directly or substantially affecting the development, construction, cost or availability of housing in the state.

Commerce administers programs with a combination of GPR, PR and FED funds. State funds provide the following types of assistance: (a) help homebuyers purchase an affordable home by providing assistance with down payment and closing costs; (b) provide grants to local organizations to operate homeless shelters and transitional housing and to provide associated supportive services for homeless persons; and (c) fund homeless prevention and critical assistance programs to help renters retain housing and homeowners prevent foreclosure. Federal funds granted by the U.S. Department of Housing and Urban Development (HUD) include: (a) the Home Investment Partnerships Program (HOME) to support homeownership, owner-occupied housing repairs, owner-occupied accessibility improvements, rental rehabilitation, rental housing development, and rental assistance; (b) grants to local governments or agencies to operate emergency shelters, as the HUD-designated Wisconsin agency for administering the

distribution of federal funds under the Stewart B. McKinney Homeless Assistance Act; (c) Community Development Block Grant – housing rehabilitation funds to support grants to municipalities for housing rehabilitation, acquisition, relocation, handicapped accessibility improvements, and home ownership assistance; (d) the Neighborhood Stabilization Program to provide emergency assistance for redevelopment of abandoned and foreclosed homes and residential properties; (e) the Homelessness Prevention and Rapid Re-Housing Program to provide financial assistance and services to prevent households from becoming homeless and to help homeless households quickly obtain housing; (f) lead hazard control grants to eliminate lead-based paint hazards from homes occupied by low-income families with children under age six; (g) Housing Opportunities for Persons with AIDS funds; and (h) Projects for Assistance in Transition from Homelessness funds to help local agencies provide housing services to people who have serious mental illness and are homeless.

Transfer of Funds. The following table shows the housing program appropriations, base funding under Commerce, and funding appropriated to WHEDA under the bill. Other summary entries under Commerce describe actions taken under the bill related to standard budget adjustments, employee contributions for pension and health insurance, and elimination of long-term vacancies before the housing programs are transferred to WHEDA.

**Housing Program Appropriations,
Commerce Base Funding and Funding Transferred to WHEDA**

<u>Appropriation Name</u>	<u>Commerce 2010-11 Base Funding</u>	<u>WHEDA 2011-12 Appropriation</u>	<u>WHEDA 2012-13 Appropriation</u>
Administration			
General program operations - general fund	\$574,400	\$509,400	\$509,400
General program operations - federal revenues*	<u>1,285,300</u>	<u>1,632,400</u>	<u>1,632,400</u>
Subtotal -- Administration	\$1,859,700	\$2,141,800	\$2,141,800
Housing Programs			
General Fund			
Housing grants and loans	\$3,097,800	\$3,097,800	\$3,097,800
Shelter for homeless and transitional housing grants	1,413,600	1,413,600	1,413,600
Mental health for homeless individuals (Projects for Assistance in the Transition from Homelessness)	<u>42,200</u>	<u>42,200</u>	<u>42,200</u>
Subtotal -- GPR	\$4,553,600	\$4,553,600	\$4,553,600
Program Revenues			
Funding for the homeless - Interest on real estate trust accounts (IBRETA)	\$469,300	\$422,400	\$422,400
Housing program services - Payments from other state agencies	469,300	422,400	422,400
Housing program services - Payments from non-state agency entities	<u>187,700</u>	<u>168,900</u>	<u>168,900</u>
Subtotal -- PR	\$1,126,300	\$1,013,700	\$1,013,700
Federal Revenues			
Housing - federal aid, local assistance*	\$10,000,000	\$10,000,000	\$10,000,000
Housing - federal aid, individuals and organizations*	<u>23,000,000</u>	<u>23,000,000</u>	<u>23,000,000</u>
Subtotal -- FED	\$33,000,000	\$33,000,000	\$33,000,000
Subtotal Housing Assistance Programs	\$38,679,900	\$38,567,300	\$38,567,300
Total Housing Administration and Assistance	\$40,539,600	\$40,709,100	\$40,709,100

* Federal appropriations are estimates of amounts available.

Transfers of Program Assets. Specify that the assets, liabilities, tangible personal property, and records of Commerce related to the transferred housing programs, as determined by the Secretary of DOA, shall become the assets, liabilities, property, and records of WHEDA on the effective date of the bill.

Specify that all contracts entered into by Commerce before the effective date of the bill that are related to the transferred housing programs, as determined by the Secretary of DOA, remain in effect on the effective date of the bill and are transferred to WHEDA. Require WHEDA to carry out any obligations under the contract until the contract is modified or rescinded by WHEDA to the extent allowed under the contract. Require DOA to ensure performance of a duty or satisfaction of an obligation transferred from Commerce to WHEDA if WHEDA fails to perform the duty or satisfy the obligation.

Transfers of Other Statutory Requirements. Transfer, from Commerce to WHEDA, the requirement to prepare a comprehensive five-year state housing strategy plan. Require WHEDA, rather than Commerce, to: (a) submit the plan to the U.S. Department of Housing and Community Development; (b) include specific information in the plan such as the state's housing policies and recommendations, discussion of major housing issues, evaluation of housing conditions and housing assistance needs in the state, and strategies for utilizing federal funding and coordinating federal and state housing efforts; (c) annually update the plan; and (d) annually submit the plan to the Governor and Legislature.

Transfer, from Commerce to WHEDA, the requirement to prepare a report on the effect of any bill introduced in the Legislature affecting the development, construction, cost or availability of housing in the state. Require WHEDA, rather than Commerce, to include information in the report about the effect of the bill on housing costs, the state housing strategy plan, the cost of constructing and rehabilitating housing, and on low- and moderate-income households. Delete a similar requirement that Commerce issue a report on administrative rule proposals that affect housing (described below).

Transfer, from Commerce to WHEDA, the requirement to collect from real estate brokers and salespersons any earnings on interest-bearing real estate trust accounts (IBRETA) that hold client funds. Authorize WHEDA and DSPS, rather than Commerce and the Department of Regulation and Licensing currently, to examine and audit these accounts. Currently, real estate brokers and salespersons deposit down payments, earnest money, and similar types of real estate payments in a pooled interest-bearing trust account, and pay the amount in excess of \$10, less service charges or fees, to Commerce. Commerce uses the IBRETA earnings to supplement grants made under the transitional housing, state shelter, and homeless prevention program. The requirements for real estate brokers and salespersons (other than where funds are transmitted) would remain the same. WHEDA, rather than Commerce, would make grants under the program.

Provisions Repealed Rather Than Transferred to WHEDA. Repeal requirements related to use of surplus state-owned real property under s. 560.9810, which currently require: (a) Commerce to petition the head of any state agency having jurisdiction over real property that Commerce determines to be suitable for surplus; (b) the head of the state agency having

jurisdiction over the property to notify Commerce in writing whether or not the agency considers the property to be surplus; (c) if the state agency considers the property to be surplus, and if Commerce determines the property is suitable, the state agency shall transfer the property, without payment, to Commerce for purposes of transferring to an applicant; (d) Commerce to be authorized to transfer the property to an applicant under a written agreement that includes a provision that the applicant agrees to pay Commerce an amount to utilize the real property in conformance with the agreement; (e) Commerce to record the agreement with the Register of Deeds for the county in which the property is located; and (f) that these surplus property provisions do not apply to property that is authorized to be sold by DOA under s. 16.848 (general sale of surplus properties provisions).

Repeal the requirement that if an agency proposes an administrative rule that directly or substantially affects the development, construction, cost, or availability of housing in the state, Commerce would be required to prepare a report about the effect of the proposed rule on housing before the rule is submitted to the Legislative Council staff for review. Currently, Commerce is required to prepare the report within 30 days after the rule is submitted to Commerce. The report is required to contain information about the effect of the proposed rule on: (a) the policies, strategies and recommendations of the state housing strategy plan; (b) the cost of constructing, rehabilitating, improving or maintaining single family or multifamily dwellings; (c) the purchase price of housing; (d) the cost and availability of financing to purchase or develop housing; and (e) housing costs. Commerce is also required to include an analysis in the report of the impact of the proposed rule on low- and moderate-income households.

[Bill Sections: 19 thru 26, 214, 434 thru 446, 716, 856, 1648, 1664, 2227 thru 2229, 2238, 2433, 2713, 2730, 2739, 2821 thru 2823, 2826, 2827, 2895, 3268 thru 3275, 3449 thru 3462, 3474, 3540, and 9110(1)]

13. TRANSFER ADMINISTRATION OF THE DAIRY MANUFACTURING FACILITY INVESTMENT TAX CREDIT AND DAIRY 2020 PROGRAM TO AGRICULTURE, TRADE AND CONSUMER PROTECTION.

Governor: Transfer administration of the manufacturing facility investment tax credit and the Dairy 2020 program from Commerce to the Department of Agriculture, Trade and Consumer Protection (DATCP).

Transfer of Program Property and Rules. The bill would provide that the tangible personal property and records of Commerce primarily related to the functions of Commerce with respect to the dairy manufacturing facility investment tax credit, as determined by the Secretary of Administration, would become the tangible personal property and records of DATCP. All rules promulgated by Commerce that were in effect on the effective date of the bill related to the manufacturing facility investment tax credit would remain in effect until their specified expiration date or until amended or repealed by DATCP.

The refundable dairy manufacturing facility investment tax credit, is equal to 10% of the amount paid in a tax year by a claimant for modernization or expansion related to the claimant's dairy manufacturing operation. The credit can also be claimed for eligible investments made by

dairy cooperatives. The total amounts of tax credits that can be claimed is limited to \$700,000 annually for cooperative members and \$700,000 annually for other entities. Commerce is required to certify taxpayers, allocate tax credits, and verify credit claims.

The Dairy 2020 Initiative was organized to identify opportunities for strengthening the dairy industry and to develop specific strategies to increase dairy farm profitability and dairy industry competitiveness. The initiative is designed to bring together representatives from dairy industry, producers and processors, supporting industries, state government, and the UW System to identify industry objectives and develop strategies for achieving them. Commerce, along with the Department of Agriculture, Trade and Consumer Protection, and the UW are the lead state agencies in the initiative. The Dairy 2020 Initiative consists of three components: (a) the Dairy 2020 Council is comprised of dairy producers, industry representatives, legislators and public representatives; (b) the Dairy 2020 early planning grant program administered by the Wisconsin Enterprise Network, with funding from Commerce; and (c) the Milk Volume Production program to provide qualifying dairy producers with financing to fill the equity gap, and partner with local communities to increase dairy production in Wisconsin. The program is primarily funded through the federal Community Development Block Grant economic development program.

[Bill Sections: 1822 thru 1827, 1959 thru 1964, 2071 thru 2076, 3369, and 9110(7)]

14. TRANSFER ADMINISTRATION OF FILM TAX CREDITS TO TOURISM

Governor: Transfer administration of the film production tax credits from Commerce to the Department of Tourism. The bill would provide Tourism with rule-making authority to administer the tax credit.

Provisions of 2005 Wisconsin Act 483 created both a film production services tax credit and a film production company investment tax credit. The film production services tax credit is refundable and equal to 25% of: (a) salaries, wages, and/or labor-related contract payments to all individuals, including actors, who are Wisconsin residents that work on an accredited production in Wisconsin; and (b) non-labor production expenses incurred in Wisconsin to produce an accredited production. The film production company investment tax credit is refundable and equal to 15% of: (a) the purchase price of depreciable, tangible personal property and items, property and goods, if the sale of such property and goods is sourced to Wisconsin; and (b) the amount expended to construct, rehabilitate, remodel, or repair real property. Commerce is required to accredit a production as eligible, determine the eligible amount of production expenditures, including resident salary and wages and sales and use taxes, and certify film production company expenses for the purpose of claiming the film production tax credits. The maximum amount of film production tax credits that can be claimed in a fiscal year is \$500,000.

[Bill Sections: 1874 thru 1876, 2004 thru 2007, 2115 thru 2118, and 3368]